

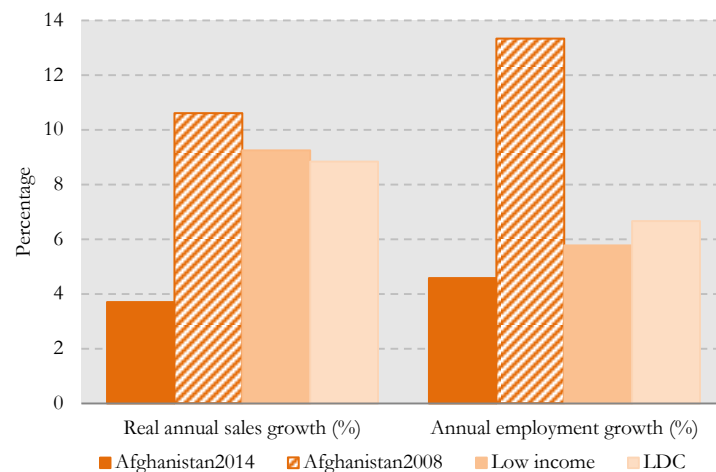


COUNTRY HIGHLIGHTS AFGHANISTAN 2014

The World Bank interviewed a representative sample of the private sector in 5 of the most active economic regions in Afghanistan. The sample consisted of 410 business establishments surveyed from May 2013 through July 2014. The Enterprise Survey covers several topics of the business environment as well as performance measures for each firm. Below are the main highlights from the survey.

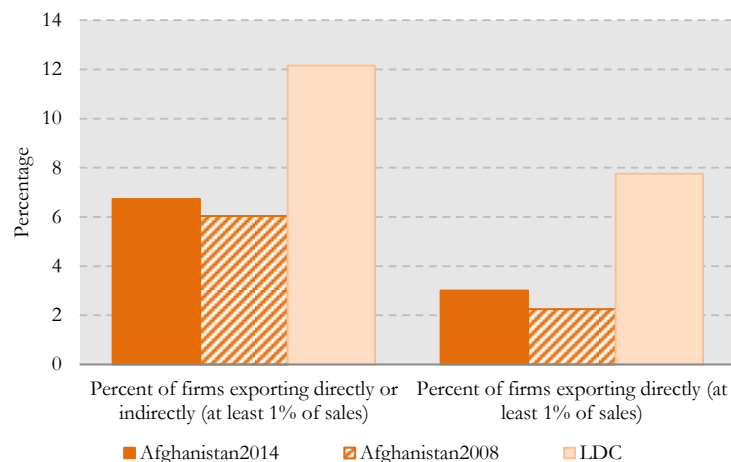
Sales and employment growth are robust but have decreased over time

The Enterprise Survey data show that performance in the private sector in Afghanistan remains strong but it has deteriorated since 2008. While sales and employment growth figures remain positive they have decreased since the 2008 survey. Real annual sales growth is at 3.7%, which is less than half the sales growth rate reported in 2008 and also half the rate of what firms in landlocked developing countries (LDC) experience. Annual employment growth, at 4.6%, is also less than the rates experienced by firms in other low income countries and in LDCs.



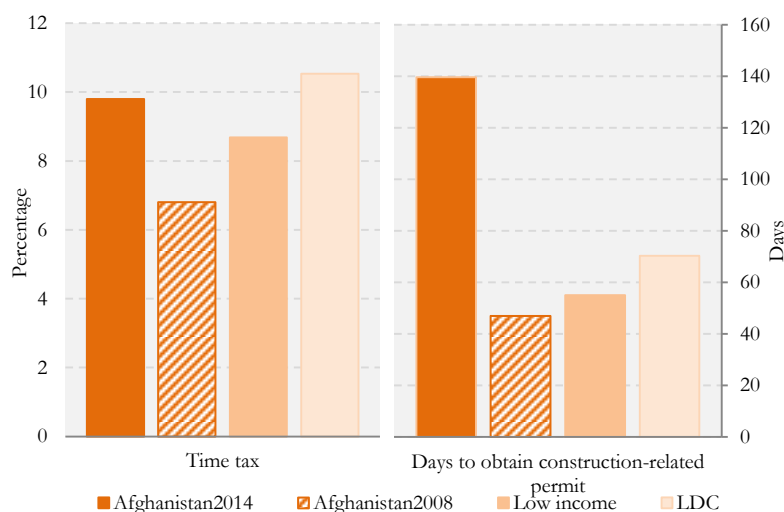
Exporting activities for Afghani firms lag behind comparator countries

The level of involvement of the Afghani private sector in export markets remains low, even when benchmarked against other landlocked developing countries. Nevertheless, the percentage of Afghani firms which are involved in exporting activities, directly or indirectly, increased slightly in the last six years. When restricted to just direct exports, the gap between Afghanistan and other landlocked developing economies widens revealing relatively less direct interaction between Afghani firms and the rest of the world.



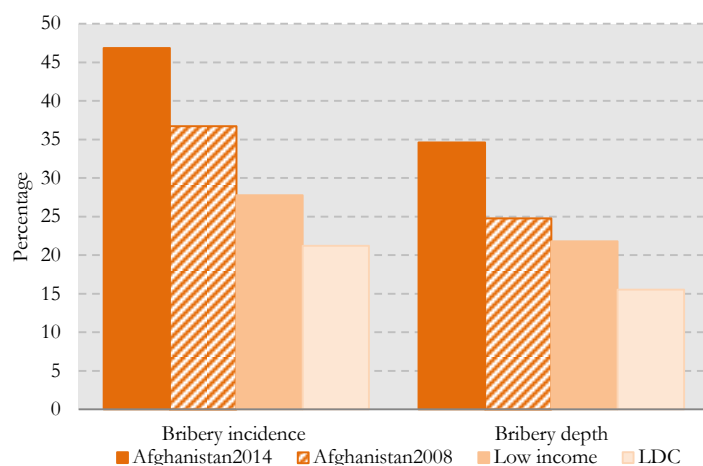
Afghani firms experience long wait times for a construction-related permit

Senior managers spend approximately 9.8% of their time dealing with the requirements of government regulations. This overall measure of regulatory burden, the time tax, is comparable to businesses in other low income countries. However, certain transactions such as obtaining a construction-related permit take long compared to other countries. The average number of days to obtain a construction permit in Afghanistan is 140, considerably higher than what it was in 2008 and higher than the average for low income and landlocked countries.



Afghani firms experience a high incidence of bribery compared to firms in other countries

Almost one out of two Afghani firm experience at least one bribe payment request across 6 transactions dealing with utilities access, permits, licenses, and taxes. This measure is known as Bribery Incidence. The Afghani private sector experiences more than twice the incidence compared to other LDC countries. Bribery Depth measures the percentage of transactions where a gift or informal payment is requested. Again the depth is almost twice that of other LDC countries, highlighting the high degree of corruption experienced by Afghani entrepreneurs.



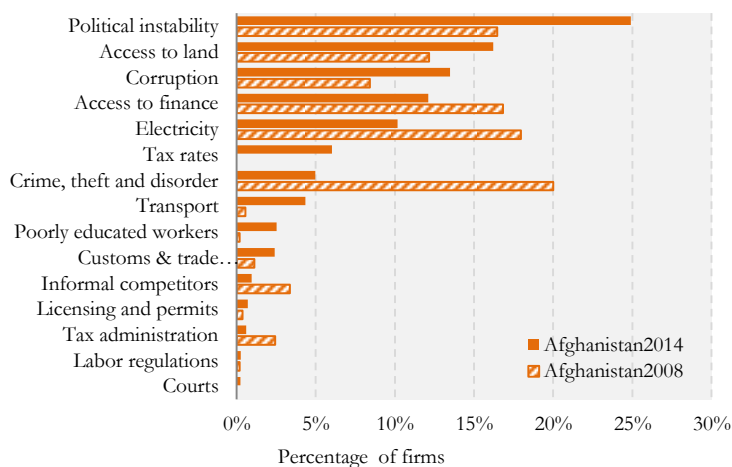
Afghani firms have extremely limited access to finance

Afghani firms are much less likely to have bank accounts compared with firms in low income and landlocked developing countries. The precipitous drop from 73% to 44% across the two surveys may be a result of citizens having less faith in banks after the Kabul Bank scandal which emerged in 2010. On the credit side, only 2% of firms use banks to finance investments; this is less than one-tenth the average for firms across all LDC. Despite a slight increase from 2008, access to bank finance for investments remains extremely low.



The Afghani private sector considers political instability as the biggest business environment obstacle

Among 15 areas of the business environment, firms in Afghanistan are more likely to rate political instability to be the biggest obstacle to their daily operations, followed by access to land, corruption and then access to finance. Interestingly, firms in other South Asian countries such as Bangladesh and Nepal also indicate political instability to be their top business environment obstacle. It is also interesting that crime, theft, and disorder is no longer the top-rated obstacle in 2014 as it was in the 2008 Afghanistan Enterprise Survey.



The Enterprise Analysis Unit is a joint World Bank and IFC team of economists, survey experts specialized in private sector development. Surveys implemented by the team reveal what businesses and firms experience across the world by interviewing representative samples of the formal, non-agricultural, non-extractive, private sector with 5 employees or more. The resulting globally comparable firm-level data is used to construct business environment indicators and measure firm performance. The findings and recommendations help policy makers identify, prioritize, and implement policy reforms that support efficient private economic activity.

For more information on the survey visit <http://www.enterprisesurveys.org>